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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 1053

THE UNITED STATES TIME CORPORATION
Petitioner,

v.

HAMILTON WATCH COMPANY, *Respondent.*

BRIEF FOR THE RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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BRIEF IN OPPOSITION TO GRANT OF WRIT OF CERTIORARI

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Respondent, Hamilton Watch Company, respectfully asks that this Court deny the petition for grant of a writ of certiorari filed April 29, 1964 by the United States Time Corporation.

QUESTION PRESENTED

Did the Courts below err in the discretionary action of refusing to enjoin patentee Hamilton's sole patent infringement action against an infringer in a court convenient to both Hamilton and the infringer, simply because the importer and infringer's vendor, U. S. Time, subsequently filed a declaratory judgment action in the District of Connecticut two and a half years

after the justiciable controversy arose, with service on the statutory agent of Hamilton and without any allegation or proof that the second forum was convenient to the witnesses of either party, or that the patentee is engaged in harassment, or in any other activity which could have served as a possible basis for the District Judge ruling other than he did, when the ruling of said Court is in complete harmony with this Court's decision in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952) and the settled and uniform interpretation of the governing law by the various Courts of Appeal.

RESTATEMENT OF CASE[1]

Respondent, Hamilton Watch Company, whose watch manufacturing and research facilities in the United States are located at Lancaster, Pennsylvania, began, in 1957, to make and sell the "Hamilton" electric wrist watch, upon which it secured United States and foreign patents. In 1961, petitioner, U. S. Time, began importing and selling in the United States, so-called "Timex" electric watches manufactured in Germany by its wholly-owned German subsidiary. (Stat. par. 1 and 2). Substantially immediately (letter of January 25, 1961), Hamilton notified U. S. Time that the "Timex" electric watch was regarded as an infringement of Hamilton patent rights. A justiciable case and controversy was admittedly created at that time. In fruitless negotiations in 1961 and 1962, Hamilton advised U. S. Time that it intended to pursue its legal remedies if the controversy were not settled

[1] The "Statement of Agreed Facts" in the record herein is referred to as "Stat." Inasmuch as petitioner has reproduced only incomplete excerpts, the entire statement is reproduced herein at pages 1a-7a of the Appendix hereto.

by agreement. In April 1963, Hamilton commenced action (1) against U. S. Time and its wholly-owned German subsidiary for patent infringement at the source and only site of manufacture in Germany, (2) against the U. S. Time Canadian subsidiary in Canada, and (3) against Read's, a $48 million drug store chain retailing the Timex electric watch in Baltimore, Maryland. (Stat. par. 3-6).

Hamilton brought the U. S. patent action in Baltimore because that forum is admittedly convenient to its electric watch manufacturing and research facilities, is convenient to its witnesses at Lancaster, Pennsylvania, and is convenient to its patent and retained general counsel who are located in Washington. The docket of the Baltimore Court is more current than that in New Haven.[2] (Stat. par. 9).

As an obvious result of Hamilton's suits, U. S. Time filed its declaratory judgment action in Connecticut, making service on the Secretary of State of Connecticut, as the statutory agent of Hamilton, despite the fact that Hamilton was amenable to suit for declaratory judgment (1) at its headquarters, watch-manufacturing and research facilities in Lancaster, Pennsylvania (trial at Philadelphia), or (2) at its sales offices in New York City. (Stat. par. 13).

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[2] According to the Annual Report of the Director of Administrative Office of the United States Courts for the fiscal year ending June 30, 1962, the median time interval from filing to disposition in civil cases terminated during that year was 29 months in the U.S. District Court for the District of Connecticut and 13 months in the U.S. District Court for the District of Maryland. The respective median time intervals from issue to trial were twenty-five months in Connecticut and eight months in Maryland for all civil cases; fifteen and six months respectively for non-injury civil cases.

The Connecticut forum is inconvenient to Hamilton, its witnesses, and its counsel. On the other hand, U. S. Time did not allege the Connecticut forum to be convenient to either U. S. Time witnesses or to U. S. Time patent counsel, the latter being situated in New York City. The record is silent as to the locale of the U. S. Time witnesses, who presumably are situated in Germany at the sole site of manufacture of the Timex electric watch. (Stat. par. 9a).

U. S. Time moved the Connecticut District Court for a preliminary restraining order enjoining Hamilton from proceeding with the Baltimore suit. On the basis of the foregoing facts, the Connecticut District Court (Timbers, J.) exercised its discretion within the criteria established by the pertinent leading cases[3] and denied the motion.

On January 31, 1964, the Court of Appeals of the Second Circuit affirmed in a per curiam decision finding the District Court's action in denying the preliminary restraining order to be "well within Judge Timbers' discretion."

In the meantime, on November 1, 1963, Read's, with the assistance of U. S. Time,[4] and based on the same

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[3] *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952); *Joseph Bancroft & Sons Co.* v. *Spuniz Co. of America*, 268 F. 2d 522 (2 Cir. 1959); *Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corp.*, 143 F. 2d 1012 (2 Cir. 1944) and *Yale & Towne Mfg. Co.* v. *Manning, Maxwell & Moore, Inc.*, 91 F. Supp. 106 (S.D.N.Y. 1950). Cf. *American Chemical Paint Co.* v. *Thompson Chemical Corp.*, 244 F. 2d 64 (9 Cir. 1957); *Bechik Products Inc.* v. *Flexible Products, Inc. et al*, 225 F. 2d 603 (2 Cir. 1955); *Triangle Conduit & Cable Co., Inc.* v. *National Electric Products Corp.*, 138 F. 2d 46 (3 Cir. 1943), cert. den., 320 U.S. 784 (1943).

[4] *Hamilton Watch Co.* v. *Read Drug & Chemical Co.*, —— F. Supp. ——, 141 USPQ 335, 336, fn. 1 (D. Md. Apr. 14, 1964).

"Statement of Agreed Facts", filed in Baltimore a Motion to Stay that action pending the outcome of the Connecticut action. U. S. Time asked for, and was granted, leave to file a brief "*Amici Curiae*" and to submit evidence and actually filed a voluminous binder as evidence.[5] Judge Watkins, based on the aforestated facts, and after examining "the 'evidence' offered on behalf of U. S. Time",[6] denied the Read Motion to Stay.

Two District Courts and one Court of Appeals have thus concurred as to the propriety of denying the relief here sought by petitioner.

REASONS FOR DENYING THE WRIT

Review by this Court is unwarranted for three reasons, viz:

(1) The decision of the Court of Appeals in this case is in complete consonance with this Court's leading expression on the issue in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra*, as well as with *all* decisions of the various United States Courts of Appeals which have considered the same question. There is no conflict of decisions because no Court of Appeals has ever reached the result which petitioner seeks, and the three District Court decisions cited by U. S. Time are easily distinguishable.

(2) When U. S. Time's petition is analyzed and stripped to its essentials, the petitioner is found to be relying on alleged duplicate litigation of its own creation as the basis for seeking nothing less than to

[5] Ibid.

[6] Ibid.

stretch the Federal Declaratory Judgment Act to abort Hamilton's statute-authorized action against Read's and force U. S. Time's own choice of jurisdiction by filing its action two and one-half years after a justiciable controversy arose, in a manner which this Court expressly refused to sanction in *Kerotest*.

(3) Although petitioner alleges forum shopping by Hamilton, petitioner selected Connecticut as the jurisdiction for its declaratory judgment action by service on Hamilton's statutory agent, and presented no factual evidence whatsoever to show that New Haven was a forum conveniens, whereas the record indicates to the contrary.

1. The decision below is in complete harmony with clear existing law which is not the subject of any conflict

The leading authority on this subject is the decision of this Court in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra*, which clearly spells out the applicable law. In that case, this Court stated that "Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts,"[7] and summarized the applicable rules as follows:[8]

> "The manufacturer[7a] [U. S. Time] who is charged with infringing a patent cannot stretch the Federal Declaratory Judgments Act to give him a paramount right to choose the forum for trying out questions of infringement and invalid-

[7] 342 U.S. 180, 183-84.

[8] The pertinent parties are interpolated as by Judge Watkins in his decision denying the Read's Motion for Stay in the Baltimore action. *Hamilton Watch Co.* v. *Read Drug & Chemical Co.*, —— F. Supp. ——, 141 USPQ 335, 338 (D. Md. Apr. 14, 1964).

ity. He [U. S. Time] is given an equal start in the race to the courthouse, not a headstart. If he is forehanded, subsequent suits against him by the patentee [Hamilton] can within the trial court's discretion be enjoined pending determination of the declaratory judgment suit, and a judgment in his favor bars suits against his customers. [Read's]. If he is anticipated [Hamilton v. Read's], the court's discretion is broad enough to protect him [U. S. Time] from harassment of his customers. If the patentee's [Hamilton's] suit against a customer [Read's] is brought in a district where the manufacturer [U. S. Time] cannot be joined as a defendant, the manufacturer [U. S. Time] may be permitted simultaneously to prosecute a declaratory action against the patentee [Hamilton] elsewhere [in Connecticut].[8a] And, if the manufacturer [U. S. Time] is joined as an unwilling defendant in a forum non conveniens, he has available upon an appropriate showing the relief provided by section 1404(a) of the Judicial Code. 62 Stat. 869, 937, 28 U.S.C. § 1404(a)."

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[3] "* * * Since 1961, U.S. Time has been importing and selling in the United States Timex electric watches made in the plant of its wholly owned German subsidiary." Statement of Agreed Facts in the Connecticut suit.

Quaere—is U.S. Time a 'manufacturer' within Kessler v. Eldred, 1907, 205 U.S. 285, 27 S. Ct. 527, 51 L. Ed. 803?"

[7a] See footnote 3, above. U.S. Time is not literally the 'manufacturer', but is the importer and distributor of Timex watches made in the plant of its wholly owned German subsidiary.

"If U.S. Time were to be treated only as a vender, not a manufacturer, then the suit in the District of Connecticut would have no greater finality than the suit against Read's."

[8a] Or the manufacturer (U.S. Time) may intervene in, or take over the defense of, the suit against the customer Read's."

[Footnotes Judge Watkins']

The Court below cited as authority this same *Kerotest* decision, in addition to *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America, supra*, and *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7 Cir. 1963). Older decisions to the same effect and reaching the same result are: *Triangle Conduit & Cable Co., Inc.* v. *National Electric Products Corporation, supra* and *Yale & Towne Mfg. Co.* v. *Manning, Maxwell & Moore, Inc., supra.* There is no known Court of Appeals decision in any circuit enjoining a first filed patent infringement action in favor of a subsequently filed declaratory judgment action.

The three District Court decisions cited by petitioner are not in conflict with either the rules set out in *Kerotest* or with any of the other above-cited authorities.

In *Sortex Co. of North America, Inc. et al.* v. *Mandrel Industries, Inc.*, 226 F. Supp. 995 (W.D. Mich., S.D. 1964), cited by petitioner, the patentee was "annoying, harassing or intimidating" customers. This factor admittedly is not present here.

In *Squeez-A-Purse Corp.* v. *Stiller et al.*, 149 F. Supp. 60 (N.D. Ohio E.D., 1957), cited by petitioner, neither the patentee nor the infringing manufacturer had any apparent connection with the distant (North Carolina) forum in which the original suit was brought. That situation is in contrast to the instant case, wherein the Baltimore jurisdiction is admittedly convenient to Hamilton and Read's, and it is not even alleged to be inconvenient to the witnesses of U. S. Time.

The only other purported authority cited by petitioner is the case of *Delamere Co., Inc.* v. *Taylor-Bell Co., Inc.*, 199 F. Supp. 55 (S.D.N.Y. 1961), a District

Court decision which obviously could not create a conflict with a decision of its own Court of Appeals. Further, however, that case is also completely distinguishable in view of the fact that, while the plaintiff brought the suit in Virginia, all three of the involved parties had principal places of business in New York, all witnesses were in that area, and the attorneys who had been active in the case where in New York. In those circumstances, the Court concluded that convenience would unquestionably be better served by venue in New York rather than in Virginia. That is to be contrasted with the present case wherein there is no factual showing that the convenience of pertinent witnesses or counsel would be better served by a New Haven venue, and the record actually is to the contrary.

2. Petitioner seeks no reconciliation of conflicting decisions but rather a drastic rewriting of uniformly established law

The petitioner adverts to "conservation of judicial resources", "needless duplication of judicial effort", and needless "duplication of litigation", creating the inference that the respondent is somehow responsible for such problems. The contrary is true. The petitioner itself filed the second lawsuit two and a half years after the justiciable controversy arose, and then turned around to complain of the alleged wasteful duplication of litigation.[9]

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[9] The cases of *Telephonics Corp. et al* v. *Lindly & Co., Inc.*, 291 F. 2d 445 (2 Cir. 1961) and *Bechik Products, Inc.* v. *Flexible Products, Inc. et al*, 225 F. 2d 603 (2 Cir. 1955), cited by petitioner, are inapposite because they related to situations wherein the patentee itself filed or threatened to file multiple lawsuits.

The uniform and controlling law in such a situation is contrary to the petitioner's position as laid down in the *Kerotest* decision:[10]

> If the patentee's [first filed patent infringement] suit against a customer is brought in a district where the manufacturer cannot be joined as a defendant, the manufacturer may be permitted *simultaneously* to prosecute a [second filed] declaratory action against the patentee elsewhere. [Emphasis added].

Petitioner's statement that the Connecticut action "must proceed in any event" is absurd. It "must proceed" only if the petitioner so insists. The right of the petitioner to persist in the Connecticut action is a permissive one, as is its right to intervene in the Maryland action.[11] Thus petitioner, who created any duplication of litigation which may exist, can also terminate such duplication of its own volition, at any time it sees fit.

If the proposition of the petitioner were to be accepted, the *Kerotest* decision would be overruled, in addition to the pertinent Court of Appeals' decisions which are all in harmony with one another and with *Kerotest*. Under the rule which the petitioner urges on the facts in this case, any manufacturer (importer)

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[10] 342 U.S. 180, 186.

[11] *Joseph Bancroft & Sons Co.* v. *Spunize Co., supra; Trumatic Machine & Tool Co., Inc.* v. *O. M. Scott & Sons Company*, 180 F. Supp. 838 (S.D.N.Y. 1960); *Yale & Towne Mfg. Co.* v. *Manning, Maxwell & Moore, Inc., supra*, citing *Chandler & Price Co.* v. *Brandtjen & Kluge, Inc.*, 296 U.S. 53 (1935). Also, Judge Watkins pointed out that the petitioner may intervene in the Baltimore action. *Hamilton Watch Co.* v. *Read Drug & Chemical Co.*, —— F. Supp. ——, 141 USPQ 335, 338, fn. 8 (D. Md. Apr. 14, 1964).

could dictate the forum in which issues of patent infringement can be litigated and *ipso facto* abort a previously filed infringement action in another court by the simple expedient of filing, at its own time and convenience, a subsequent declaratory judgment action, in any forum of its choice within the broad general venue provisions of 28 U.S.C. 1391(c).

Petitioner's contention that "the decision below has the effect of creating a rigid mechanical solution" is completely unfounded and is simply an attempt to mask the fact that this case is completely devoid of any possible equitable considerations which would have justified a contrary decision by the District Court and the Court of Appeals below.[12]

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[12] Equitable considerations which have been recognized: Balance of convenience, particularly as to witnesses, *Telephonics Corp. et al* v. *Lindly & Co., Inc., supra; International Nickel Co., Inc.* v. *Martin J. Barry, Inc.*, 204 F. 2d 583 (4 Cir. 1953); *Helene Curtis Industries, Inc. et al* v. *Sales Affiliates, Inc.*, 199 F. 2d 732 (2 Cir. 1952); *Remington Products Corp. et al* v. *American Aerovap, Inc.*, 192 F. 2d 872 (2 Cir. 1951); *Squeez-A-Purse Corp.* v. *Stiller et al, supra; Delamere Co., Inc.* v. *Taylor-Bell Co., Inc., supra.* Intimidation and harassment of customers, *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra; Sundstrand Corp.* v. *American Brake Shoe Co., supra; Helene Curtis Industries, Inc. et al* v. *Sales Affiliates, Inc., supra; Sortex Co. of North America, Inc. et al* v. *Mandrel Industries, Inc., supra.* Priority of suit, *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra; Sundstrand Corp.* v. *American Brake Shoe Co., supra; Telephonics Corp. et al* v. *Lindly & Co., Inc.*, 192 F. Supp. 407 (E.D.N.Y. 1960), aff'd 291 F. 2d 445 (2 Cir. 1961); *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America, supra; Helene Curtis Industries, Inc.* v. *Sales Affiliates, Inc., supra; Remington Products Corp. et al* v. *American Aerovap, Inc., supra; Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corp., supra.*

3. The record is devoid of any evidence of forum shopping by respondent nor is there any evidence that the forum belatedly chosen by petitioner is convenient enough even to meet the minimum forum conveniens requirements of Section 1404(a) of the Judicial Code

The record shows that the Baltimore forum chosen by respondent Hamilton is convenient to its electric watch manufacturing and research facility, to its witnesses at Lancaster, Pennsylvania, and to its patent and retained general counsel in Washington, D. C. (Stat. par. 9). The docket of the Baltimore Court is more current than that in New Haven, Connecticut.[13] As contrasted with this, while Hamilton was amenable to suit for declaratory judgment in Lancaster, Pennsylvania (trial in Philadelphia), New York City or Connecticut,[14] petitioner chose Connecticut without so much as an allegation that the forum would be convenient to its witnesses (presumably situated in Germany), or to its patent counsel, who is situated in New York City. This situation alone provided an ample basis to justify Judge Timbers' exercise of discretion in refusing to grant the petitioner's motion for a preliminary restraining order.

CONCLUSION

The situation involved here is routine and was handled by the District Court and the Court below in complete conformity with the admonitions and rules of this Court's *Kerotest* decision and in complete har-

[13] See note 2, *supra*.

[14] Hamilton has a silverware subsidiary in Connecticut (not in the record).

mony with all Court of Appeals decisions in all Circuits dealing with the same subject; wherefore, the writ should be denied.

Respectfully,

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